

Working with the strategic platform. Customer hearings.

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In the first article in our series about working with the strategic platform, we looked at one of the strategy pillars: identification, analysis and segmentation of macro drivers and their effect on a company's industries and markets.

In this article we focus on another strong tool for creating a long-term, sustainable strategy, a business platform and a product portfolio, which give your customers more added value: customer hearings.

What is a customer hearing?

Let us start by describing what a customer hearing isn't:

- A customer hearing is **NOT** an interview
- A customer hearing is **NOT** statistically valid material

A customer hearing is a conversation with carefully selected, existing or potential customers with qualitative, value-based information on a strategic level as a result. It is a strategic thermometer with a ten-year perspective – not a picture of today's temperature. Thus, it is important to understand that it is the results of the customer hearings we need, not necessarily the answers.

Why do we perform customer hearings?

Customer hearings are used for primarily two reasons. When working with the creation or the development of a company's strategic platform, *sustainability* is the key word. It is no use spending lots of energy on implementing a new strategy, if our customers or customers' customers are influenced by factors, which pull the markets in another direction and make our products redundant in three years. Consequently, we are talking about customer hearings with a ten-year perspective: We need to analyze the customer's strategic outlook; we must know something about the macro trends and drivers that influence his market, and we need a knowledge and understanding of the customer's future strategic choice.

Additionally, customer hearings are an important tool in zooming in on and understanding the factors, which the customers see as giving them added value. Even if the customer hearings do not specifically cover values (see “Hearing Guide” later), value-based statements will be made by the customer during the conversation. These statements should be integrated as part of the company’s strategic management, and thus has an effect on the strategic analyses, the strategic choices and the strategic implementation.

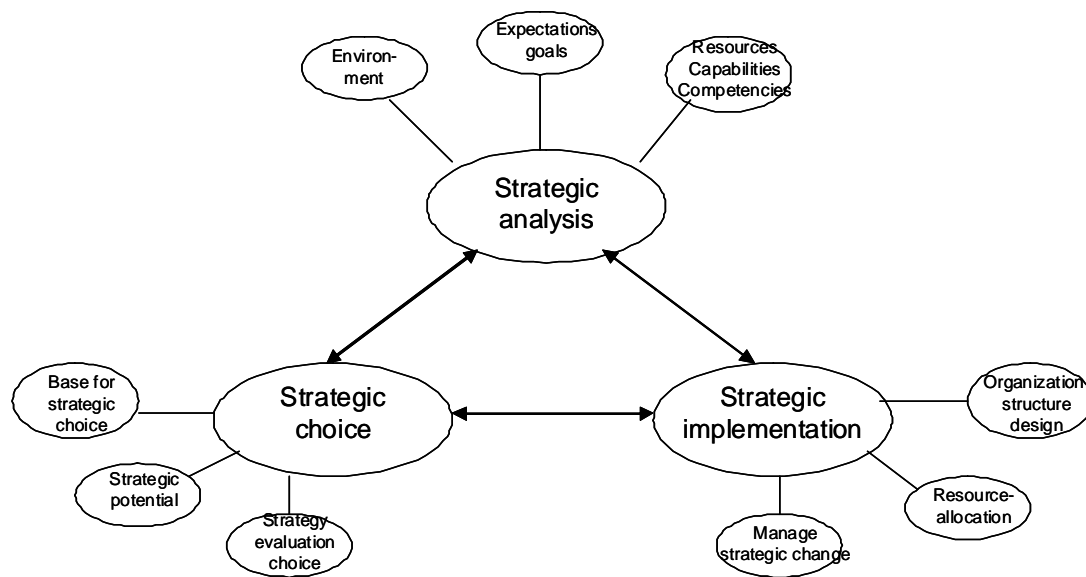


Figure 1. Elements in strategic management.

Also these value based statements are used to establish the company’s future value proposition (if the number of hearings was sufficient).

How to select the customer.

When selecting the customers (companies) or potential customers to participate in the hearings, two things should be considered: 1) choice of customer, 2) making sure to pick the right contact person at the customer.

The selection of the customer shall be based on the following principles:

- The company must be active in – or in the periphery of – the markets, that you would like to serve.

- The company must be a customer or a potential customer in the markets, which you would like to serve.
- The company must be leading in his field – a market leader, a trendsetter, innovation or technology leader.

The reason for choosing customers which are leaders within a certain area, is of course that these companies dominate the direction and define the rules of the game in the industry, and as a result drag the rest of the market along (with a certain time delay).

The interviewee (hearing person) at the customer is selected according to the following profile:

- Strategic insight in the company
- Insight in markets (PESTLE, industry structure, strategic position)
- Knowledge about the company's value proposition and prioritizations

Typically, the hearing person holds one of the following positions within the company:

- Group Supply Manager/Director
- Marketing Manager/Director
- Sales Manager/Director
- SBU Manager/Director
- similar level

The hearing.

The hearing is conducted by a person (interviewer) within your company with e.g. the following profile:

- "Young" in the company (so his/her view is not blocked by existing paradigms)
- Not directly involved with the customer (to ensure an openness in the customer's answers and to prevent interpretation of answers in a subjective direction)
- Knowledge about strategic tools and how they are used, but he/she does not need to be an expert in strategy

It is important for the results of the hearing that the interviewer is well-prepared. In order to ask the questions which result in usable answers, he must know about the results needed in the strategic work. Also, he needs insight into the strategic background for the hearing. In addition, he must be equipped with a personal checklist ensuring that he covers all issues. The checklist can also be used at the start of the hearing in order to introduce the customer to the subjects, which will be discussed during the hearing.

The interviewer must be extremely aware of the influence he could have on the customer's answers. He must use all he knows about the customer and the market to conduct the hearing on a strategic level. At the same time he must avoid the trap of drawing conclusions based on this knowledge (assuming e.g.: "As market leader you must have..."). The interviewer must not assume – he must ask objectively.

The interviewer should ask open questions:

- Why does the customer buy the product?
- Why does he buy the product from exactly this supplier?
- What could cause the market to change drastically?
- Etc.

The hearing person has his own personal mental model of the environment, in which he is. In his answers, he does not separate facts and assumptions to create a complete picture of his world. The task of the interviewer is to divide facts from assumptions made based on the mental, global picture of the interviewee.

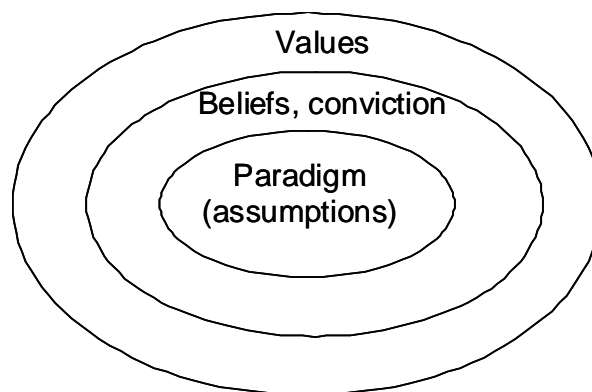


Figure 2: Culture in three layers

Hearing guide

The preparation and the hearing plan must be aligned to your company's situation and the task to be solved with the project and with the results of the hearings.

Above, some examples for the interviewer's preparation for the interview were listed.

Below, the criteria for a successful hearing have been summarized:

- Know the task to solve and your role in this context.
- Be clear on what you want to achieve.
- Identify the right interviewee at the customer.
- Choose your own personal angle for the task.
- Show involvement and be motivated.

Tools.

There are a number of tools, which can be used in the preparation phase, as well as during the hearing itself. Each of these tools serves the purpose of covering the various topics, which are the subjects of the hearing.

Topic	Tool
Analyzing external factors	PESTLE analysis (source: Francis J. Aguilar)
Industry/Market attractiveness	Porter's 5 Forces (source: Michael Porter)
Industrial structure	PLC model (source: Philip Kotler)
Strategic position/direction	Strategy Clock (source: Cliff Bowman)

Based on the chosen topics and tools, a number of open questions are worked out to be used as a guideline during the hearing. It does not matter if the customer sees this guideline; it is not a memorizing exercise. Again, it is important to remember, that the hearing is NOT an interview, but a conversation in which the interviewer WITH the hearing person covers as many angles of the four topics listed above by using his understanding of the customer, the market and the tools.

It can also be helpful to work out a tool sheet with the applied theoretical models. Even if the customer has strategic insight and understanding, you cannot be sure that he is familiar with all aspects of the topics or the chosen models. Thus a tool sheet can be very helpful to illustrate a situation or as a topic for discussion.

Duration.

Reserve 2-3 hours for the hearing. Often it is difficult to get the customer to agree to this much time, but experience shows that the time is needed to cover the topics in-depth. Sometimes the customers are a bit reserved at the start and think that the hearing is just another word for interview, customer satisfaction study or similar. However, when they discover that the conversation is about really understanding their situation and the parameters that influence their company in the coming years, an amazingly large part of the customers open up and are willing to spend a lot of time.

Remembering answers.

Do not forget to take many notes during the hearing and be open about your need to take notes. If appropriate, you can ask the customer if you may use a Dictaphone or an mp3-player to record the hearing, but many people are intimidated by this.

Confidentiality.

Confidentiality is an important issue in gaining the customer's trust. Some customers demand a signature on a declaration, and as you are interested in the *results* of all hearings and not the exact answers to the individual questions, this does not cause a problem.

Reporting to the customers.

Aligning expectations to what form of feedback you are able to give to the customer after the hearing is very important. Before conducting the hearing, you must check with the project team, what sort of feedback you can give the customer when.

Please note the following:

- Most customers who spend 2-3 hours on a hearing expect some kind of feedback.
- Feedback takes time. Make sure it is part of the time planning for the whole project.
- Not to give feedback is amateurish.
- To promise feedback and not to give it, cuts you off from ever conducting hearings with this customer again.

- Be aware that the terms of the confidentiality agreement are not violated in the feedback.
- A written "thank-you" from the interviewer, the managing director, CEO (or another highly ranked representative) in your organization is not only polite. It will be regarded very positively by the customer and gives goodwill for future activities.

After the hearing.

After the hearings the real work starts. First, the minutes of meeting based on the given answer and your notes must be written. If the hearing has been successful, the minutes will be quite long to reflect the many essential statements made during the hearing. The minutes should be written almost immediately after the hearing when all impressions are still fresh.

The minutes are given to the team working with the strategic project. The task of the team is to extract the results and values from the minutes for use in the up-coming strategic choices. Most likely there is a need to split results according to segments, industries, attractiveness or another common denominator, which becomes apparent when going through the minutes. Also, it is necessary to group all value-based statement in a sensible way, tag them with headlines and hereby creating a set of values.

Going through the hearing minutes, decoding them and drawing conclusions can be an extremely time-demanding job. However, as it will turn out, exactly this work gives the company the decisive qualitative base, when deciding on the final strategy and defining the value proposition. The hearings and the consequential analysis create the necessary sustainability, which gives your company a quantum leap in the shape of a strategic, competitive advantage. The following case describes how hearings were used in a large industrial company in Denmark to substantiate the company's strategy and triple growth rates.

Case.

The management of a business unit (BU) was facing a problem. The BU was performing quite well with stable growth rates of 5% p.a., satisfactory profits and no larger operational problems. Despite this, management sensed a certain

complacency in the organization, and it was obvious that the employees were working according to a push strategy, which prevented unlocking a far larger market potential.

Management initiated a strategic project, which included customer hearings. The purpose of conducting hearings was to enable the company to zoom 100% in on the strategic direction, movements and the factors influencing the customers' businesses of the BU's customers, as well as on the customers' requirements to delivered value. Everything should be regarded in a long-term strategic perspective.

Based on the criteria described previously in this article, customers, potential customers, hearing persons and interviewers were selected, and within 3 weeks more than 45 hearings were conducted. The very extensive reporting material was then analyzed and filtered for important strategic input as well as for all value-based statement. The results of the hearings played an important role in choosing the final segments and focus customers. Additionally, the hearings were essential for working out the BU's completely new value proposition, as well as for a full specification of the meaning of each value for customers and for the BU.

The change of strategy meant significant changes in way of thinking, culture, working methods and organizational structure of the BU. The implementation was a long, hard process demanding a lot of very sharp management focus and motivation, but the results did not disappoint anyone. Growth rates were doubled within the first year and after three years a growth approx. 14% was achieved – still with excellent, stable profit rates. The customer hearings contributed to the final set up of the strategy and played an important role in the success story.